



# THE WALKER PAPERS



## OUTSOURCING THE AIR FORCE MISSION A STRATEGY FOR SUCCESS

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## **Brig Gen Kenneth Newton Walker**

Kenneth Walker enlisted at Denver, Colorado, on 15 December 1917. He took flying training at Mather Field, California, getting his commission and wings in November 1918.

After a tour in the Philippines, he returned to Langley Field, Virginia, in February 1925 with a subsequent assignment in December 1928 to attend the Air Corps Tactical School. Retained on the faculty as a bombardment instructor, Walker became the epitome of the strategic thinkers at the school and coined the revolutionary airpower “creed of the bomber”: “A well-planned, well-organized and well-flown air force attack will constitute an offensive that cannot be stopped.”

Following attendance at the Command and General Staff School at Fort Leavenworth, Kansas, in 1933 and promotion to major, he served for three years at Hamilton Field, California, and another three years at Luke Field, Ford Island, and Wheeler Field, Hawaii. Walker returned to the United States in January 1941 as assistant chief of the Plans Division for the chief of the Air Corps in Washington, DC.

He was promoted to lieutenant colonel in July 1941 and colonel in March 1942. During this time, when he worked in the Operations Division of the War Department General Staff, he coauthored the air-campaign strategy known as Air War Plans Division—Plan 1, the plan for organizing, equipping, deploying, and employing the Army Air Forces to defeat Germany and Japan should the United States become embroiled in war. The authors completed this monumental undertaking in less than one month, just before Japan attacked Pearl Harbor—and the United States was, in fact, at war.

In June 1942, he was promoted to brigadier general and assigned by Gen George Kenney as commander of Fifth Air Force’s Bomber Command. In this capacity, he repeatedly accompanied his B-24 and B-17 units on bombing missions deep into enemy-held territory. Learning firsthand about combat conditions, he developed a highly efficient technique for bombing when aircraft faced opposition by enemy fighter planes and antiaircraft fire.

General Walker was killed in action on 5 January 1943 while leading a bombing mission over Rabaul, New Britain—the hottest target in the theater. He was awarded the Medal of Honor. Its citation, in part, reads, “In the face of extremely heavy anti aircraft fire and determined opposition by enemy fighters, General Walker led an effective daylight bombing attack against shipping in the harbor at Rabaul, which resulted in direct hits on nine enemy vessels. During this action, his airplane was disabled and forced down by the attack of an overwhelming number of enemy fighters. He displayed conspicuous leadership above and beyond the call of duty involving personal valor and intrepidity at an extreme hazard to life.” Walker is credited with being one of the men who built an organization that became the US Air Force.

After you have read this research report, please give us your frank opinion on the contents. All comments—large or small, complimentary or caustic—will be gratefully appreciated. Mail them to CADRE/AR, Building 1400, 401 Chennault Circle, Maxwell AFB AL 36112-6428.



**Outsourcing the Air Force Mission**  
***A Strategy for Success***

**Palmby**

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**Outsourcing the Air Force Mission**  
***A Strategy for Success***

WILLIAM G. PALMBY  
Colonel, USAF

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## **Air Force Fellows**

Since 1958 the Air Force has assigned a small number of carefully chosen, experienced officers to serve one-year tours at distinguished civilian institutions studying national security policy and strategy. Beginning with the 1994 academic year, these programs were accorded in-residence credit as part of professional military education at senior service schools. In 2003 these fellowships assumed senior developmental education (SDE) force-development credit for eligible officers.

The SDE-level Air Force Fellows serve as visiting military ambassadors to their centers, devoting effort to expanding their colleagues' understanding of defense matters. As such, candidates for SDE-level fellowships have a broad knowledge of key Department of Defense (DOD) and Air Force issues. SDE-level fellows perform outreach by their presence and voice in sponsoring institutions. They are expected to provide advice as well as promote and explain Air Force and DOD policies, programs, and military-doctrine strategy to nationally recognized scholars, foreign dignitaries, and leading policy analysts. The Air Force Fellows also gain valuable perspectives from the exchange of ideas with these civilian leaders. SDE-level fellows are expected to apprise appropriate Air Force agencies of significant developments and emerging views on defense as well as economic and foreign policy issues within their centers. Each fellow is expected to use the unique access she or he has as grounds for research and writing on important national security issues. The SDE Air Force Fellows include the National Defense Fellows, the RAND Fellows, the National Security Fellows, and the Secretary of Defense Corporate Fellows. In addition, the Air Force Fellows program supports a post-SDE military fellow at the Council on Foreign Relations.

On the level of intermediate developmental education, the chief of staff approved several Air Force Fellowships focused on

## AIR FORCE FELLOWS

career broadening for Air Force majors. The Air Force Legislative Fellows program was established in April 1995, with the Foreign Policy Fellowship and Defense Advanced Research Projects Agency Fellowship coming under the Air Force Fellows program in 2003. In 2004 the Air Force Fellows also assumed responsibility for the National Laboratories Technologies Fellows.



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## Foreword

When we think of war and who fights it, we often imagine a state-dominated realm, an arena of militaries contending on behalf of their nations. The reality of warfare in the twenty-first century is far different. The groups that threaten our security today range from terrorist cells and insurgent forces to drug cartels and warlord groups, motivated by causes that range from religious to socioeconomic.

Adding to the complexity of this twenty-first-century witches' brew of challenges, our own forces are increasingly made up of men and women who serve under a contract rather than an oath. Indeed, one of the most notable but least understood developments in contemporary warfare has been an increasing reliance by the military on the newly emerging global trade in hired military services, better known as the "privatized military industry." This new industry, whose firms are not supplying the goods of warfare but are fulfilling many of the professional service functions of the traditional state military, is not merely a new actor in most war zones—it has also opened a new marketplace filled with both possibilities and perils. As such, it is increasingly significant for global politics and warfare writ large, but more specifically for the defense community.

What we are seeing is that the world of defense contracting is moving along the same lines of change that have enveloped many other industries in an era of globalization: the steady move from the primacy of manufacturing to service provision and the increasing importance of outsourcing. Indeed, firms offering military services for hire presently operate in over 50 countries. They range from companies that provide logistical and technical services, such as airplane repair or weapons loading, to more active roles like tactical combat, including operating air defense systems and providing convoy escort and base security duties. They have been determinate actors in a number of conflicts, helping to win wars in Angola, Croatia, Ethiopia-Eritrea, and Sierra Leone.

Even the US military, arguably the most powerful armed force in history, has become one of the prime clients of the industry. Even before the Iraq war of 2003, the US Department of Defense

(DOD) entered into over 3,000 contracts with US-based firms in the period from 1994 to 2002, estimated at a contract value of more than \$300 billion. With the commitments in Iraq, this trend has effectively been put on steroids. Presently serving in Iraq are more than 25,000 contractors carrying out roles that would have been performed by soldiers and airmen in the past (note: these numbers do not include contractors in reconstruction or oil-services roles). This makes the contribution of the contractor force of greater size and scope than that of the rest of the coalition of allied militaries combined. With this greater size, though, has come greater costs; some 280 contractors have been killed in Iraq and over 2,000 wounded, again more casualties than the rest of the coalition has suffered and, indeed, more than any single US Army division. To put it another way, future military histories will have to cover the role of the private military industry and its effect on operations.

But at the same time, affairs of conflict and warfare are unique, like no other aspect of human conduct and certainly not to be viewed as simple business. What is distinct about this new industry is that it represents a profound development in the manner that security is both conceived and realized. With the rise of this privatized military industry, clients can access capabilities that extend across the entire spectrum of military activities, but only if they are willing to pay the price.

Thus, the move towards increased outsourcing offers the potential lure of cost savings, in both political and financial terms, and heightened quality through specialization, all taking place in a moment of great pressures on existing military force structures. At the same time, it raises an immense array of questions and dilemmas not yet fully answered, ranging from control of military resources, to questions of legal status, to fundamental questions about the exact roles and responsibilities of the public versus private sphere. Indeed, some of the most controversial aspects of the war also involved private military firms. These included the allegations of war profiteering that encircled Vice President Dick Cheney's old Halliburton firm; the brutal killing of Blackwater employees at Fallujah by Iraqi insurgents, captured on television, and the widespread fighting and lawsuits that followed; and the role of CACI International and Titan con-

tractors working as military interrogators and translators at the now infamous Abu Ghraib prison.

Col William Palmby's award-winning study, *Outsourcing the Air Force Mission: A Strategy for Success*, explores how the Air Force must adjust to this new reality of a world where the state no longer possesses a monopoly on war. He reviews the history and driving forces that have led to increased outsourcing by the Air Force, finding that while it may be the most dominant such force in history, the range of roles turned over to the private market means that private companies and their employees now have a significant influence on the very success or failure of its critical operations.

Colonel Palmby then explores the mechanisms currently in place to deal with this change, finding unfortunately that the structures, culture, doctrine, and policies to oversee and manage such contracts successfully have not kept pace. His review of the current proposals at the DOD level to accommodate these concerns finds much that is laudable, but clearly not enough. He concludes by laying out a set of recommendations to be implemented, from the decision to outsource or not, so that the goal is not outsourcing for its own sake, to the need for sustainment activities for optimizing the relationship if such contracting is to occur. Colonel Palmby's research thus provides an impressive and useful entry point into the discussion on outsourcing and military operations. It is a primer for Air Force leaders wrestling with key issues that arise when the market and the military become intertwined.



P. W. SINGER  
Senior Fellow, Brookings Institution

## About the Author



**Col William G. Palmby**

Col William G. Palmby received his commission through the Reserve Officer Training Corps program at Parks College, Cahokia, Illinois, in 1979. The top graduate of his Undergraduate Pilot Training class, he remained in the T-38 aircraft at Columbus AFB, Mississippi, and later at Randolph AFB, Texas, as an instructor pilot and flight evaluator. His first operational tour occurred in the C-5 aircraft at Dover AFB, Delaware, from which he flew extensively in Operations Desert Shield, Desert Storm, and Restore Hope. Colonel Palmby served as commander of the 22d Airlift Squadron, Travis AFB, California, and commander of the 97th Operations Group, Altus AFB, Oklahoma. He has also completed staff assignments at Headquarters Air Mobility Command, Scott AFB, Illinois, and on the Joint Staff, JCS/J-4, Pentagon. The colonel has a bachelor's degree in aviation science from Saint Louis University, a master's degree in human resource management from Wilmington College, a master's degree in national security and strategic studies from the US Naval Command and Staff College, and a master's degree in airpower art and science from the School of Advanced Airpower Studies. Upon completion of his tour as an Air Force Fellow at the Brookings Institution, Washington, DC, he was reassigned to Headquarters Air Mobility Command at Scott AFB. Currently he is vice-commander of the 380th Air Expeditionary Wing, Al Dhafra Air Base, United Arab Emirates. Colonel Palmby is happily married to the former Jean Pontillo and has two wonderful children, Jason and Caitlyn.

## **Acknowledgments**

I would like to acknowledge several people without whose support and guidance I never would have completed this study. I thank the personnel in the manpower and acquisition career fields for their efforts to guide me through the bewildering world of contracts and outsourcing. Mr. Bill Billiard and Lt Col Rich Unis were particularly helpful in this area. I also thank Cdr Gary Broadwell for his assistance and applaud him for his dedicated efforts to forge improved policy and procedures regarding outsourcing at the Department of Defense level.

I am especially grateful to Dr. Peter Singer for the numerous discussions we had, both before and during the development of this study. His guidance, insight, and willingness to delve into any issue have been invaluable to me. I also thank Dr. Dan Mortensen for his support and constructive criticism.

Finally, and most importantly, I thank my wife, Jean, for the encouragement, patience, and love she provided as I ventured into a topic area in which I had little experience. Her steadfast presence was key to the success of this project.

A handwritten signature in black ink, appearing to read 'William G. Palmbly', with a stylized, flowing script.

WILLIAM G. PALMBY  
Colonel, USAF

## **Abstract**

In order to accomplish its mission, the Air Force relies on resources from all portions of the Total Force community, including active duty, Reserve, National Guard, civil service, and private-industry personnel. Over the past few decades, changes in regulatory guidance, force structure, permanent overseas basing, technology, and operations tempo have combined to create an environment in which the Air Force has become more dependent on outsourcing. Not only has the number of outsourced positions and functions increased, but also the Air Force has expanded the scope of outsourced functions to include many that significantly affect the success or failure of its critical operations.

This study accomplishes two purposes. First, it serves as a primer for readers who do not have an intimate familiarity with either outsourcing or the acquisition/manpower career fields. Second, it provides Air Force leadership and decision makers a set of recommendations designed to help them resolve or, better yet, prevent the numerous pitfalls that accompany the outsourcing process. To achieve these goals, the study provides background on the terminology, processes, and regulatory guidance used in outsourcing. It also reviews various forces that drive the Air Force toward outsourcing as a resource option and analyzes the advantages and disadvantages that may reside in any outsourcing situation.

The paper also examines numerous issues facing the Air Force and Department of Defense (DOD) in general as the outsourcing of missions continues to increase in quantity and scope. These matters range from the lack of standardized contract language to the inadequacy of the service's organizational structure that manages outsourcing operations. Clearly, the Air Force's existing structure, culture, doctrine, and policies, although functional in the past during lower levels of outsourcing activity, have not evolved sufficiently to accommodate the service's significantly increased dependence on outsourcing to complete its mission.

Furthermore, the study scrutinizes recent DOD-level efforts to address several outsourcing issues but finds that the military must accomplish much more in order to fully realize the

## ABSTRACT

maximum potential that outsourcing has to offer. By implementing the three sets of recommendations provided here, the service has the opportunity to develop the doctrine, policies, and processes needed to use outsourcing effectively at even greater levels than exist today. Additionally, the paper offers some critical recommendations designed to help begin the considerable effort of evolving the Air Force's culture and structure to allow full integration of outsourcing as a key and equal component of its Total Force team.



## Chapter 1

### **Introduction**

*Assigned missions shall be accomplished using the least costly mix of personnel (military, civilian, and contract) consistent with military requirements and other needs of the Department.*

—Department of Defense Directive (DODD) 1100.4,  
*Guidance for Manpower Management*,  
12 February 2005

The presence of hired soldiers on the battlefield is not something new to the military. Indeed, the first recorded case of civilians receiving pay to conduct military operations occurred in 2094 BC, when King Shulgi of Ur hired mercenaries to augment his army.<sup>1</sup> History is replete with examples of nation-states and organizations that turned to the civilian community to outsource portions of their military forces. One might say that the concept of a Total Force is as old as warfare itself.

Today, no service in the DOD better understands or embodies this concept than the Air Force. Although the components that make up the Air Force's Total Force structure (active duty, Reserve, National Guard, federal civilians, and contractors) remain the same, the manner in which the service utilizes them has changed. Force-structure reductions, a diminished permanent overseas presence, new high-tech weapons systems, and budgetary issues, among other factors, have driven the DOD to outsource functions previously the sole purview of uniformed Air Force personnel.

Although we have long recognized the contributions of contractors and civil-service people to the Total Force team, apparently the DOD and Air Force have just begun to comprehend the ongoing shift of their reliance on these resources, in terms of both quantity and scope. From a quantity standpoint, post-Cold War end-strength reductions, combined with an unexpected increase in the tempo of deployed operations, have driven the Air Force toward increased dependence on nonmilitary personnel to complete its mission. More importantly, the types of functions

outsourced have steadily expanded away from traditional support duties (e.g., custodial, groundskeeping, etc.) to those that more directly affect the success or failure of critical military operations. This expansion has begun to overwhelm the Air Force's system of policies, procedures, and structures originally designed to accommodate a significantly lower level of outsourcing participation. Since many experts predict that outsourcing will only continue to increase, it is essential that the Air Force develop an integrated strategy so that trend does not jeopardize the service's ability to efficiently and effectively defend the United States and its interests abroad.

This paper seeks both to educate and provide specific recommendations for improvements. First, it serves as a primer designed to improve readers' understanding of outsourcing as it relates to the Air Force's mission—one that personnel not intimately involved in the acquisition or contracting career fields can understand. Second, it provides recommendations that will help Air Force leaders resolve issues and avoid numerous pitfalls as they work to develop the procedures, strategy, and doctrine that will allow this service to continue its outstanding record of performance, even as it becomes less reliant on uniformed military personnel.

Toward that end, chapter 2 presents the background necessary to understand Air Force outsourcing by defining key terms, offering a short history of outsourcing in the service, discussing factors that drive its use, and examining the processes the Air Force uses to outsource its functions. Chapter 3 considers the status of outsourcing within the Air Force today by addressing the changing quantity and scope of what it outsources, examining the advantages and disadvantages of outsourcing, and reviewing major outsourcing issues as well as the DOD's most recent efforts to address some of these matters. Finally, chapter 4 proposes three sets of recommendations that Air Force leaders can use as they endeavor to (1) decide whether or not to outsource a particular function, (2) successfully convert a function if they do decide to outsource, and (3) ensure sustained, effective, and efficient performance upon completion of the conversion to outsourcing. By understanding the fundamental nature of these key issues and addressing them di-

rectly during an early stage of the outsourcing process, the Air Force stands to make the best use of this critical and ever-growing component of the Total Force.

**Note**

(All notes appear in shortened form. For full details, see the appropriate entry in the bibliography.)

1. Singer, *Corporate Warriors*, 20.

## Chapter 2

### **Background**

*In the process of governing, the Government should not compete with its citizens. The competitive enterprise system, characterized by individual freedom and initiative, is the primary source of national economic strength. In recognition of this principle, it has been and continues to be the general policy of the Government to rely on commercial sources to supply the products and services the Government needs.*

—Office of Management and Budget, Circular no. A-76,  
*Performance of Commercial Activities*, 4 August 1983  
(rev. 1999)

One does not have to venture far into the history of manned flight to find the first case of aviation-related military outsourcing. On 8 October 1909, Wilbur Wright began providing flight instruction to Lieutenants Frank Lahm and Fredrick Humphreys shortly after the Army accepted delivery of its first airplane.<sup>1</sup> The rationale for outsourcing this critical military function was simple: no one in the military had this expertise. Since then, the Army Air Corps, later the Air Force, has found it beneficial to turn to the civilian market to fill a wide spectrum of services.

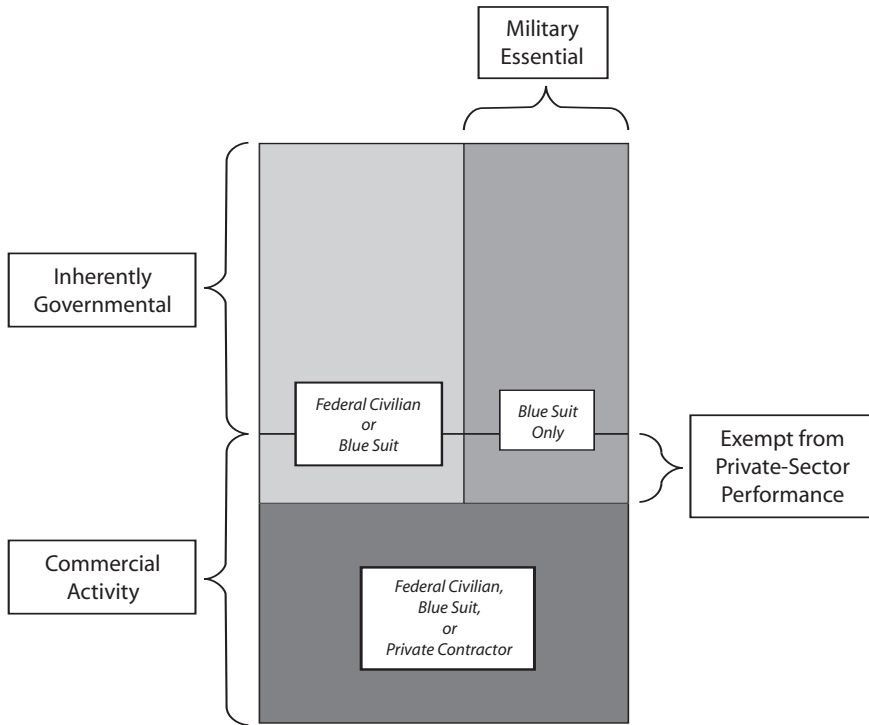
### **Definition of Terms**

Before taking a closer look at some history of Air Force outsourcing, one should acquire an understanding of the key terminology used throughout this paper, especially since terms can carry different meanings, often based on the user's background (e.g., civil service, military, or private industry). The first set of terms characterizes who should, or can, perform various Air Force activities. The term *inherently governmental* denotes "an activity that is so intimately related to the exercise of the public interest as to mandate performance by federal employees. These activities require the exercise of substantial discretion in applying government authority and/or in making decisions for the government."<sup>2</sup> *Military-essential services* refer

to work that military personnel must do. Generally, the Air Force considers a position military essential if the duties involve combat/direct combat support or if the position requires military expertise, training, or skills.<sup>3</sup> A *commercial activity* is “a recurring service that could be performed by the private sector and is resourced, performed, and controlled by the agency through performance by government personnel, a contract, or a fee-for-service agreement. Commercial activities may be found within, or throughout, organizations that perform inherently governmental activities or classified work.”<sup>4</sup> *Exempt from private-sector performance* describes a class of service that meets the basic requirements of a commercial activity; however, for various reasons federal civilians or uniformed Air Force personnel should perform it. Examples include inherently commercial activities performed by “blue-suit” Air Force personnel for purposes of deployment, career sustainment, and overseas rotation.<sup>5</sup>

An intricate, connected relationship exists between inherently governmental functions and those possibly eligible for outsourcing (fig.). The top half of the illustration represents various functions that the Air Force has defined as inherently governmental, to be performed by either federal civilian or blue-suit personnel. Note that a portion of these functions involves military-essential activities—requiring execution only by Air Force people. The bottom half of the figure includes various functions considered potential commercial activities designed for federal civilians, blue suiters, or individuals in private industry. Importantly, a portion of the functions classified as commercial activities is exempt from private-sector performance, and some of those have incurred further manning restrictions under the military-essential label.

The second set of terms describes various alternatives available for performing Air Force functions with other-than-military personnel: *divestiture* denotes that military, civil-service, or contractor personnel no longer need to conduct the activity specifically for the Air Force.<sup>6</sup> For example, noting that only a small number of customers eat breakfast at the base bowling alley’s snack bar and that other fast-food facilities on base offer such dining, a wing commander decides to eliminate or divest the service at the



**Figure. Performance classifications of Air Force activities**

bowling alley in order to economize operations. *Military-to-civilian conversion* entails transferring responsibility for a function from military to civil-service personnel, a process that occurs frequently in the Air Force.<sup>7</sup> Given a function or group of functions eligible to become a commercial activity, the Air Force uses *competitive sourcing* to promote competition among various contractors as well as allowing in-house bids from civil-service employees.<sup>8</sup> “A-76,” the vehicle used to manage the competitive-sourcing process, is described later in this chapter. For the purposes of this study, *outsourcing* has the same meaning as *competitive sourcing* (e.g., a function formerly executed by military personnel but now performed by either contractors or civil-service employees and converted by a process that may or may not have utilized competitive bidding). This definition differs slightly from the term’s use within the private sector, which usu-

ally reserves it for a competitive process that does not include in-house civil-service offers in the bidding process.<sup>9</sup> The expanded definition used here (which includes private contractors as well as in-house competition) serves to simplify and standardize terminology throughout the paper. Although formally defined as “the transfer of ownership of function(s), business assets, or both (e.g., government-owned plant and equipment) from the public to the private sector,” the Air Force most often restricts the meaning of *privatization* to the transfer of physical things (e.g., base housing).<sup>10</sup>

## **Historical Perspective**

Generally, the DOD and Air Force have recognized that outsourcing provides the military with options for resourcing its mission; however, this has not always been the case. In the early 1950s, Air Force leadership was shocked to discover that the service owned and operated (with blue-suit personnel) its own dairy farm in Okinawa.<sup>11</sup> Obviously, the farm was not military essential, yet someone had decided to conduct this purely commercial activity with military manpower. Coincidentally, during this same time, the Bureau of the Budget released Bulletin 55-4, which declared that the federal government would not “start or carry on any commercial activity” that the private sector could perform.<sup>12</sup> This message sought to encourage federal agencies to obtain commercial-type services from the private sector when appropriate and available. Another milestone in the history of outsourcing occurred in 1966 with initial release of the Office of Management and Budget’s (OMB) A-76 Circular, a document that established methods and procedures designed to reduce the cost of services acquired by various components of the federal government.<sup>13</sup>

Nevertheless, the Air Force’s drive toward increased levels of outsourcing did not begin until 1988 with publication of the Federal Activities Inventory Reform (FAIR) Act, intended to force federal government agencies to identify functions not inherently governmental. More specifically, the act established the requirement that “not later than the end of the third quarter of each fiscal year, the head of each executive agency shall submit to the

Director of the Office of Management and Budget a list of activities performed by Federal Government sources for the executive agency that, in the judgment of the head of the executive agency, are not inherently governmental functions.”<sup>14</sup> This requirement to self-identify potential outsourcing candidates, when combined with post-Cold War military drawdowns and moderate-to-high sustained operations tempos, produced an environment that fostered the increased use of outsourcing to perform Air Force roles and functions. In 2003 the OMB released a revised version of the A-76 Circular that contained several important modifications designed to streamline and improve the process of outsourcing government functions. Although the federal government has “talked the talk” regarding outsourcing since the 1950s, it has not really “walked the walk” until recently. The following section discusses underlying principles that have driven the Air Force toward increased levels of outsourcing.

### **Rationale for Air Force Outsourcing**

What motivates the Air Force to outsource so many of its roles and missions? The Wright brothers’ contract with the Army to supply flight training provides a perfect example of the military’s having to reach into the civilian community to fill a need that it could not meet. Several other reasons, however, have motivated the Air Force to outsource many of its roles and missions.

#### **Directed by the US Government**

As described in the previous section, regulatory guidance and federal policy direct all departments (the DOD included) to utilize outsourcing where appropriate to execute portions of their missions. One of the forces promoting outsourcing-friendly changes to regulatory guidance has emerged from a shift in the country’s political paradigm away from big government toward the increased use of private-industry resources. Peter Singer describes the impetus for this change as a result of a push “from the left by the Clinton administration’s ‘national performance review’ and from the right by the pro-privatization Republican majority in Congress.”<sup>15</sup> This combination of pro-outsourcing regulatory guidance and outsourcing-friendly political environment has



motivated numerous government agencies, including the Air Force, to increase levels of outsourcing.

### **Reduction in Force Structure**

The Air Force has seen its ranks of uniformed personnel decrease from a high of over 978,000 in 1953 to just 508,000 in 1991. Additional reductions since the end of the Cold War have cut the Air Force's end strength even further to its current limit of 359,700—a 63.2 percent reduction since 1953 and almost a 30 percent cut in only the last 15 years.<sup>16</sup> Although most of the reductions proceeded from the anticipated “peace dividend” associated with the fall of the Iron Curtain, the Air Force finds itself even busier today. Combined with unprojected increases in operations tempo and deployments, these end-strength reductions have motivated the Air Force to entertain increased levels of outsourcing in an effort to focus remaining military personnel on military-essential roles and missions.

### **Force Caps and International Treaties/Agreements**

The DOD commonly encounters contingency scenarios that place limitations on the number of uniformed personnel in a particular geographic region. These restrictions could arise from external treaties, agreements with host nations, or US government policies. Witness the recent deployments to both Kosovo and the Philippines. In Kosovo the executive branch placed a limit (force cap) on military personnel not to exceed 15 percent of North Atlantic Treaty Organization forces in the country, while a Philippine government restriction limited US involvement in that region to a maximum of 600 troops.<sup>17</sup> Since neither of these force caps applied to contractors, the military found it advantageous to outsource support functions, thus allowing the services to deploy a greater percentage of combat-ready personnel yet remain below the military force cap.

### **Lack of Technical Expertise**

The infrastructure of the Air Force (weapons systems, communications and information networks, etc.) continues to become

more technologically advanced as it strives to maintain its position as the world's premier air and space force. Along with the desire to remain at the forefront of technology comes the requirement to possess core personnel armed with the advanced—often unique—technological skills necessary to maintain and operate these systems. Two factors drive the Air Force to outsource many of these highly technical positions. First, the acquisition of advanced weapons systems is usually accompanied by an integrated support contract that entails some level of contractor involvement, even in forward-deployed locations. The Air Force's Predator and Global Hawk unmanned aerial vehicles (UAV) depend on contractor support for maintenance and limited Predator flight operations during deployment.<sup>18</sup> When research identifies total contractor support as the most cost-effective path, the Air Force can become extremely dependent on the contractor because of the possibility that no military personnel might receive sufficient training to accomplish the mission successfully. Second, the Air Force might temporarily rely on contractor support until it can train an initial cadre of its personnel to conduct the new mission—for example, the presence of contractor personnel aboard operational flights of Joint Surveillance Target Attack Radar System aircraft.

### **Insufficient Personnel to Support Deployed Operations**

This rationale applies to career fields with too few trained military personnel to support operations at home bases or to support deployed operations.<sup>19</sup> Outsourcing allows the Air Force to fulfill home-base requirements with civil-service or private-industry personnel, thus freeing military troops for deployed operations. One should note that this factor and any of those mentioned above vary widely according to the specific role or function considered for conversion. Often, several of these forces will combine to influence the decision. Although additional forces might prompt decision makers to consider outsourcing, the five mentioned here provide the greatest impetus. One should keep them in mind when examining the various outsourcing processes available to the Air Force.

## **How the Air Force Outsources Functions**

Armed with a clear understanding of both the terms involved and the forces driving the military toward the conversion of military positions, one can now review various methods used by the Air Force to determine who actually earns the right to conduct any particular mission. Because of space limitations, this paper provides only a fundamental overview that captures significant highlights of the competitive-sourcing process, as well as some of the more important constraints and drawbacks. From a “big-picture” standpoint, one must consider three major steps before successfully outsourcing any Air Force service requirement: (1) the decision to outsource, (2) the conversions themselves, and (3) the execution of sustainment actions.

### **Decision to Outsource**

When one of the previously discussed reasons drives the Air Force to consider a function for outsourcing, the service must first decide if the function is appropriate for outsourcing. Regardless of what provided the impetus, the Air Force must first determine whether the function is (1) inherently governmental (performed by either federal civilian or military personnel), (2) military essential (performed by uniformed military personnel), or (3) a commercial activity (eligible for outsourcing).<sup>20</sup> The fact that a particular service is available in private industry does not mean that it will be approved for outsourcing. Take for example the service provided by a trombone player in one of the Air Force’s bands. Granted, trombone players are readily available in the commercial market, but the morale and recruiting benefits imparted by the appearance on stage of the uniformed Air Force member make this position inappropriate for conversion to outsourcing.

So how does the Air Force decide to define a particular function as a commercial activity, thus making it eligible for conversion consideration? First, it must not fit the definition of the terms *inherently governmental* or *military essential*. In other words, it must clearly lie in the commercial-activity portion of the figure illustrating performance classifications of Air Force activities (see p. 7). If the function lies in any other area, it is not

suitable for outsourcing to a private contractor. Recall that some commercial activities are exempt from private-sector performance and eligible for outsourcing only to federal civilians.

As stated above, FAIR Act guidelines require the Air Force to make an annual accounting of commercial activities performed by federal employees.<sup>21</sup> This process provides the Air Force with an excellent starting point to determine which functions it can consider for outsourcing; however, not all commercial activities are outsourced. Several other considerations affect the final decision to move ahead to the conversion phase. Decision makers must take into account additional issues by asking the following questions:

1. Are sufficient budget dollars available to fund the contract? What is the potential effect on future budget flexibility if the contract becomes a must-pay item?
2. Does the function have a deployment requirement, and, if so, do the deployed responsibilities cross the line between commercial and inherently governmental activities?
3. Will the position or function benefit from potential increases in stability provided by the ability of a civilian to remain in place much longer than his or her Air Force counterpart?
4. Do the skills required to perform the targeted function already exist in the private sector or in the ranks of civil-service personnel? If not, what additional time and cost factors must be considered if the service has to develop and execute a training program? Also, what impact will this conversion have on the Air Force's ability to retain experienced personnel if contractors are willing to pay top dollar to access this trained group of personnel?

Air Force leaders must take into account these and numerous other intangible factors as they contemplate the pros and cons of converting any position. Another issue that tends to make the conversion decision more difficult is that federal employees (military or civil service) commonly perform both inherently governmental and commercial activities.<sup>22</sup> In this case, the decision to proceed with the competitive-sourcing process for commercial

activities would require the Air Force to address the inherently governmental activities also performed by the individual. If the conversion eliminates the federal employee's position, governmental duties would have to transfer to another federal employee. If the position remains intact (minus the outsourced commercial activity), it would have to acquire additional duties to ensure proper utilization of the employee.

Although all three steps in the competitive-sourcing process are important, the decision to outsource entails some of the highest risks if the decision itself is erroneous. Granted, errors in the conversion and sustainment phases, such as inadequate contract language or poor contractor performance, can produce significant negative effects; nevertheless, existing formal processes can address these issues and often correct them in a timely manner. Unfortunately, rectifying a bad conversion decision might present a much greater problem when one considers the fact that the Air Force probably no longer retains the infrastructure, training programs, and, most importantly, experienced personnel after having eliminated a particular career field or specialty due to outsourcing. Therefore, before proceeding to the next phase of the competitive-sourcing process, Air Force decision makers must ensure that they have carefully considered all the implications of their impending decision.

### **Conversion Process**

After the Air Force identifies a function as a commercial activity and decides to pursue outsourcing options, it must select one of several processes to execute the conversion. Specifically, the Air Force uses four primary means of converting a function performed by military personnel to one conducted by either federal civilians or private contractors.

**A-76.** Officially known as OMB Circular A-76, this document outlines competitive policies and procedures used by federal government agencies to award contracts.<sup>23</sup> At its most basic, the A-76 process includes the following steps: (a) request for proposal to notify private industry and in-house organizations of the effort, (b) analysis to determine not only best price but also best value, and (c) selection of a winner, issuance of the contract, and initiation of the conversion.<sup>24</sup> Obviously, the actual A-76 process

entails many phases and reporting requirements, all controlled by numerous regulations and limitations. Notably, recent changes to the A-76 process have resulted in a streamlined competition that significantly reduces the time and effort necessary to award a contract. The streamlined competition option is available (although not mandatory) only for conversion of functions with 10 or fewer civilian positions. Unlike the traditional A-76 process, which normally takes a year or longer, this option requires completion of procedures and a final decision within 90 days.<sup>25</sup>

The A-76 process not only allows open competition among organizations in private industry, but also permits in-house organizations, otherwise known as most efficient organizations (MEO), to compete for the same contract. For example, when Air Education and Training Command (AETC) decided to outsource aircraft maintenance at Altus AFB, Oklahoma, an MEO made up of civil-service personnel won the contract. Today at Altus, the 97th Maintenance Directorate is manned solely by civil-service personnel, including the key position of director of maintenance leadership. Conversely, the maintenance operation at Columbus AFB, Mississippi, another AETC base, is run by DynCorp, a private-industry contractor.

**Military-to-Civilian Conversions.** Having DOD civilians assume work formerly performed by military personnel frees the latter to conduct military-essential functions.<sup>26</sup> This military-to-civilian process is reserved primarily for inherently governmental or commercial functions exempt from private-industry performance. Normally, major commands (MAJCOM) initiate this process by identifying potential candidates to the Air Staff, whose career-field managers review the effects of conversion and forward successful candidates to the Office of the Secretary of Defense for final approval.<sup>27</sup> This conversion path is much simpler, faster, and less costly than the standard A-76 process. During a recent effort to convert some previously identified military-essential positions at military-entrance processing stations, the Air Force determined that some of the positions (e.g., physical screeners) did not absolutely require the presence of military personnel. Thus, the service retained only key interface positions as military essential and converted a number of the more

support-oriented positions to DOD civilian manning by using the military-to-civilian process.<sup>28</sup>

**Sole-Source Contracting.** This specialized process addresses a few specific contracting situations by allowing issuance of a contract without full and open competition. Federal acquisition regulations identify acceptable justifications for sole-source contracting: (a) availability of only one source that will satisfy the agency's needs, (b) unusual and compelling urgency, (c) international agreement, (d) authorization or requirement by statute, or (e) the interests of national security.<sup>29</sup> The lack of competition makes execution of this option simple and quick. The Army issued its initial contract with the Halliburton Company for emergency oil-well firefighting in Iraq during Operation Iraqi Freedom via the sole-source process.

**Contract Modifications.** This option also allows the Air Force to avoid the time-consuming competitive-bid process by simply amending requirements in an existing contract with either private industry or an in-house organization. But the amendment must pertain to a service that falls within the scope of the existing contract. A decision maker's overly broad interpretation of the term *within the scope* could possibly lead to less-than-fair competitive-sourcing processes.<sup>30</sup> Although not a DOD contract, the Department of the Interior's agreement with CACI International to supply interrogators during Iraqi Freedom provides a good example of the contract-scope issue. In this case, modification of an existing contract for information technology (originally let in 1998) added 11 functions designed primarily to support operations in Iraq, including interrogation services. Following an internal review, the Department of the Interior's inspector general stated that "neither the General Services Administration nor our review could find any existing schedule that provided for these services."<sup>31</sup> This out-of-scope modification gained notoriety as word of alleged prisoner abuses began to surface.

Once the Air Force has selected and completed one of the above processes, it must develop the actual contract and compose the statement of work. Depending on the size of the function converted, follow-on actions can be as simple as training and placing a single DOD civilian/private contractor or as complex as developing and executing a multiyear programming plan,



as occurred during the conversion of almost 1,500 military positions in the 97th Maintenance Group at Altus AFB.

### **Sustainment Actions**

By regulation and policy, the Air Force utilizes numerous means of monitoring and controlling outsourced functions. The contracting officer and his or her representatives, one of the service's primary tools, routinely evaluate contractor performance with regard to the statement-of-work requirement. These evaluations can range from informal over-the-shoulder reviews to full-blown formal examinations during operational readiness inspections. This contract-oversight process ensures that the Air Force obtains the quality of service and performance agreed to in the contract.

Sustainment activity also includes the seemingly never-ending need to modify existing contracts. It should come as no surprise that nothing in the Air Force remains the same for long, often due to changes in technology, budgets, missions, infrastructure, doctrine, and so forth. Such alterations affect the service's expectations of its contractors and often result in modifications to existing contracts. The Air Force's contracting units spend a significant amount of time working these modifications with contractors to assure that the provided services result in mission success. Furthermore, the Air Force's ongoing mandate to up-channel annual inventories of its inherently governmental and commercial activities helps the service determine whether it is using the best Total Force mix to complete its mission. If properly performed, these sustainment actions (as well as several others not listed here) allow the Air Force to monitor contractor performance, identify the need for contract modifications and execute them, and obtain the best value for its budget dollars.

This chapter has provided the foundation for understanding the terminology, rationale, and processes the Air Force uses to contemplate and execute the conversion of a military function to civil-service or private-sector performance. The next chapter examines the current status of outsourcing within the Air Force and addresses what the future may hold.



## BACKGROUND

### Notes

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4. OMB Circular no. A-76, *Performance of Commercial Activities*, rev. 29 May 2003, A-3.
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6. Ibid., slide 4.
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## Chapter 3

### **Where We Are Today**

*Manpower shall be designated as civilian except when military incumbency is required for reasons of law, command and control of crisis situations, combat readiness, or esprit de corps; when unusual working conditions are not conducive to civilian employment; or when military unique knowledge and skills are required for the successful performance of the duties.*

—DODD 1100.4, *Guidance for Manpower Management*,  
12 February 2005

Today, signs of outsourcing within the Air Force community are fairly common. For example, contract security personnel guard the front gate at 37 of 157 Air Force facilities around the world.<sup>1</sup> Although this recent change has caught the attention of civilians and military people alike, many would be surprised to know how deeply outsourcing has penetrated the service's infrastructure. In fact, one finds it increasingly difficult to point out an Air Force role or function not directly or indirectly supported by outsourcing. This chapter examines how outsourcing has increased in both amount and scope in today's Air Force, addresses both its advantages and disadvantages, discusses several major issues concerning its use, and reviews recent DOD efforts regarding ongoing outsourcing concerns.

### **Outsourcing in Today's Air Force**

Many people have recognized the significant, highly visible roles played by federal civilians and private contractors in Iraqi Freedom and know of the rapid increases in outsourcing that have occurred since the end of the Cold War. However, some of them might not be aware that the Air Force has successfully outsourced roles and missions, albeit at a much lower rate, during the past several decades. For example, just over two decades ago, transforming a young, inexperienced civilian into a highly trained and qualified Air Force pilot oc-

curred, on average, over a two-year period, and Air Force personnel conducted almost all of the training. Today, however, the process is dramatically different (table).<sup>2</sup>

**Table. Pilot-training comparison**

Training Event	C-5 Pilot, 1980		C-17 Pilot, 2005	
	Air Force	Outsourced	Air Force	Outsourced
Flight Screening	33.1%	66.9%	0%	100%
UPT (T-37)	100	0	62	38
UPT (T-38/T-1) <sup>a</sup>	100	0	37.5	62.5
C-5 Initial Qualification	100	0	15	85

*Data collected from Dr. Bruce Ashcroft and Ms. Ann Hussey (Headquarters AETC Historian Office), Mr. Terry Long (Headquarters AETC/DOFI), Lt Col John Biegger (Nineteenth Air Force/DOM), Maj Mike Hogue (Nineteenth Air Force/DOU), Maj Timothy Russell (Nineteenth Air Force/DOU), Lt Col Tim Smith (97th Operations Group/CD, Altus AFB, OK), and Mr. Larry Henton (training manager, C-5 Aircrew Training System, Altus AFB, OK).*

<sup>a</sup>The Air Force used T-38s for advanced pilot training in 1980 but now uses the T-1 for heavy-aircraft pilot candidates.

The table clearly depicts an almost 180-degree shift in the balance of blue-suit versus contractor participation in the training of one of the Air Force's most valuable assets—its pilot force. In this particular example, C-5 pilots could have received all of their flight training (depending on the type of flight-screening program attended) from Air Force people in 1980, whereas C-17 pilots just entering the training pipeline today will receive approximately three-quarters of their training from contractors.

### **Increase in the Amount of Outsourcing**

Although nearly one-fifth of the Air Force's total discretionary budget supports the acquisition of services, not a single office within the service or even the DOD accurately tracks statistics regarding the use of contractors in peacetime or during contingency operations.<sup>3</sup> In peacetime one only has to tour an Air Force base to notice that outsourced positions have increased. For ex-

ample, contractors now conduct most core flying training at AETC bases, compared to just 25 years ago when large numbers of blue suiters did the same job. One also notes the continuing effort to outsource much of the Air Force's aircraft-maintenance function. Currently, AETC leads the pack with all 16 of its geographic flying locations utilizing some level of outsourcing to execute aircraft-maintenance operations; indeed, 10 of the locations are completely outsourced to civil-service or private-industry personnel.<sup>4</sup>

Two key factors drive this phenomenon: (1) the desire to convert military positions to save money and free uniformed personnel to perform other missions and (2) the emerging need to integrate unique, high-tech support requirements for the Air Force's newest major weapons systems into the overarching acquisition plan in a concept called Contractor Logistic Support. Currently, the other MAJCOMs trail AETC's efforts to increase the outsourcing of aircraft maintenance. One MAJCOM cited concerns over contractor-deployment issues as one of the factors influencing its retention of the traditional maintenance option. Nevertheless, traditional functions have come under review throughout the Air Force, and in many cases civil-service or private-industry employees have replaced military personnel. For instance, in just one unit at Altus AFB, an 891-man MEO assumed the responsibilities of a 1,444-man maintenance group via the A-76 process.<sup>5</sup>

From a contingency-operations perspective, the DOD's increased dependence on outsourcing becomes readily apparent when one compares the ratio of military personnel to contractors on the battlefield during the first Gulf War to that during current operations in Iraq. In 1991 one found approximately 100 military troops on the ground for every deployed contractor; today that ratio is 10 service members per contractor—a significant change in the character of the force conducting the nation's war efforts in Southwest Asia.<sup>6</sup> A recent General Accounting Office (GAO) report documents the fact that the use of contractors to support deployed forces “has increased significantly since the 1991 Gulf War,” due to (1) reductions in the number of military personnel, (2) higher operations tempo, and (3) more sophisticated weapons systems.<sup>7</sup> The first two factors alone have forced the military to rely on human resources

other than uniformed personnel to carry out its mission. With manning authorizations down from 508,000 during the first Gulf War to just 359,700 today, the Air Force simply does not have sufficient forces to conduct the number of worldwide operations that have become the norm since the early 1990s.<sup>8</sup> Additionally, today's smaller, highly tasked Air Force is less likely to have personnel with the unique technical skills required to maintain and, in some cases, operate the service's newest weapons systems. All three of the above factors generate more reliance on outsourcing in order to gain both the bodies and technical expertise the Air Force needs to execute its mission. Currently in Iraq, estimates put the number of DOD contractors at 20,000—almost equal to the number of forces provided by all of America's coalition partners.<sup>9</sup>

Although valid outsourcing statistics remain difficult to obtain at both the DOD and Air Force levels, figures included in a just-released Government Accountability Office report help put the recent expansion of outsourcing into perspective. It identifies the DOD as the largest single buyer of outsourced services within the federal government, spending \$118 billion in fiscal year 2003. This amount represents an amazing 66 percent increase since 1999. The report also projects that the DOD will become even more reliant on contractors to perform its mission.<sup>10</sup>

### **Increase in the Scope of Outsourcing**

The outsourcing of Air Force positions is having a substantial effect on the success or failure of the service's operations. Even in peacetime at stateside Air Force facilities, mission success often depends upon the ability of contractors to execute their responsibilities proficiently. An examination of the DOD's use of outsourcing to support its operations in Iraq may prove surprising as regards the scope of missions executed by contractors. In preparation for the conflict, private contractors provided critical logistical support and directed the construction, operation, and security of Camp Doha in Kuwait, which later served as a launching point for the invasion.<sup>11</sup> Other critical, outsourced roles in Iraq include armed security for key American officials, protection of some military facilities, interrogation of Iraqi prisoners of war, and convoy escort.<sup>12</sup> The Air Force itself has delegated several

key roles to private contractors, including the maintenance and loading of B-2 bombers as well as maintaining and performing limited flight operations with armed Predator UAVs.

As mentioned earlier, the Air Force willingly outsources such critical functions as the training of its pilots. Indeed, flight training, base security, food service, civil engineering, and weapons-system maintenance are just the tip of the iceberg with regard to areas under consideration for outsourcing. Even functions apparently small in scope can significantly affect mission success or failure if outsourced throughout the Air Force. For example, the service now depends on contractors to maintain and operate all of its telephone-communications systems—an awesome responsibility when one contemplates attempting to function in peacetime without such systems, let alone trying to communicate in a contingency.

The same forces that increased the number of functions outsourced have also expanded the scope of missions performed by federal civilians and private-industry personnel. The very fact that the smaller post-Cold War military has remained so busy throughout the world conducting humanitarian, contingency, and antiterrorism operations means that the Air Force has had to outsource more of its functions as manpower authorizations have declined. With less-essential functions already outsourced, the service needed to expand the scope of positions and functions under scrutiny for conversion from military to civilian execution. The Air Force, as well as its sister services, has had no choice other than turning to outsourcing to provide the manpower and expertise necessary to fulfill its mission. Increases in the technological nature of the latest weapons, information, and command-and-control systems have also forced the services to outsource positions traditionally manned by uniformed personnel. The technological skills required to maintain and often operate today's advanced systems do not always reside in the existing military force structure. Thus, rather than deal with the inefficiencies and delays that accompany the development of a new military career field (e.g., creation of extensive and expensive training programs, inefficiencies of deployment, and constant changes in duty station), the Air Force now turns to private industry to fill the gap.

Advances in technology play yet another, often overlooked, role in expanding the scope of outsourcing. In some cases, the use of realistic environments created by high-tech simulators and simulations has reduced the need for real-life military experience. For example, simulators that teach aircrew members how to operate the C-17, the nation's newest mobility aircraft, offer a degree of realism and fidelity that has all but made the presence of an experienced C-17 instructor pilot superfluous. Not only do all but two of a new C-17 pilot's training flights occur in the simulator, but also, up until two years ago, none of the Boeing simulator instructors had any hands-on flight experience in the aircraft. In this case, the ease, sophistication, and realism of C-17 simulator operations permitted the instructors to build upon their flight experiences in other aircraft and translate them into textbook C-17 flight instruction. As technology continues to permeate a greater share of Air Force operations, the number and scope of missions that become eligible for conversion from military-essential to civil-service or private-industry execution will continue to rise.

The military now depends upon outsourcing to operate successfully at home and in deployed environments. With approximately 20,000 private contractors performing key, often essential, missions today in Iraq, the DOD and Air Force have come to realize that outsourcing not only provides a means to an end, but also has become indispensable. Today's Air Force, smaller but more technologically oriented and busier than it was just a few decades ago, needs federal civilians and workers in private industry to fill gaps generated by force-structure reductions and accelerated operations tempo in order to survive.

### **Advantages and Disadvantages of Outsourcing**

Imagine that headquarters has just told a wing commander that it is outsourcing the perimeter-security function of his or her security-forces unit to Acme Base Security Company, Inc. Although initially concerned with the company's ability to provide adequate security, the commander will eventually begin to envision both the advantages and disadvantages of this modification.

Obvious benefits would include potential cost savings and the freeing of a good portion of the security forces to conduct other critical missions, including deployments to support Operations Enduring Freedom and Iraqi Freedom. More than likely, the commander also would become concerned about legal issues regarding the arming of contractors and the possibility of contract employees deciding to strike—not an issue with blue-suit personnel. Like this example, one finds a number of advantages and disadvantages associated with the outsourcing of Air Force functions.

### **Advantages**

Each outsourcing situation is unique and holds the potential to generate advantages. The following paragraphs briefly describe several outsourcing benefits.

**Improved Continuity.** It is a given that uniformed military personnel move constantly. Along with movement comes turbulence in the position recently vacated. Although outsourcing in and of itself does not guarantee continuity in a particular role, experience demonstrates that both contract and civil-service employees tend to remain in one position much longer than do their military counterparts. Although one commonly finds civil-service or contractor personnel with 15 to 20 years in a particular position, the same situation with enlisted troops is known as “homesteading” and can have negative career implications. Stability has a twofold advantage: (1) retention of valuable experience gained over a longer period of time and (2) more employee productivity because of less time spent on training or duties related to making a permanent change of station. Even if some of these employees move to a different position, it is often to another within the same unit, so one still has access to their expertise.

**Cost Savings.** Two of the four principal goals of outsourcing and privatization stated in Air Force Policy Directive (AFPD) 38-6, *Outsourcing and Privatization*, focused on potential cost savings generated by the conversion of military positions: “improve performance and quality by doing business more efficiently and cost-effectively [and] generate funds for force modernization.”<sup>13</sup> The savings realized by each conversion depend upon several variables: number of positions converted, desirability of duty lo-



cation, and function converted, for example. The two most recognized sources of savings include manpower reductions and lower labor costs. Regarding the former, a GAO study of 1995 observed that only 800 civilians replaced approximately 2,000 military personnel.<sup>14</sup> Additionally, the Air Force estimates that the average manpower savings obtained in outsourcing conversions during the past decade equates to 38 percent of the original workforce.<sup>15</sup> As for lower labor costs, the study offered an example of the military's saving \$46,000 per year when it replaced two captains with two civil-service GS-9 personnel, adding that "DoD officials said civilian employees can be paid at grades lower than their military counterparts because civilians either enter government service with specific expertise or they develop more expertise at an earlier stage in their careers since they do not rotate as frequently."<sup>16</sup> One should note, however, that not all conversions will result in cost savings.

**Greater Flexibility.** Outsourcing provides the Air Force with the flexibility it needs to resource changing and/or short-term mission requirements. When a new short-term or indefinite service requirement arises, outsourcing to a private-industry contractor provides a significant advantage. The service can quickly address the new requirement without training military members in a new skill or, even more difficult, creating a new career field. Furthermore, the Air Force gains additional flexibility when one considers that it may not maintain the required expertise within its ranks. This problem is becoming more prevalent as the size of the Air Force decreases and as advances in technology require greater specialization within the military workforce. Since the commercial market boasts a much wider spectrum of capabilities than does the Air Force, it is often much easier to accommodate changes to missions with a simple contract modification.

**Focus on Core Functions.** AFPD 38-6 also identified the desire to "focus personnel and resources on core Air Force missions" as one of the principal goals of outsourcing.<sup>17</sup> Even when the Air Force's end strength is capped or reduced, outsourcing provides an excellent opportunity either to do more with the same number of military personnel or to maintain the current mission load.<sup>18</sup>

**Fresh Perspective.** New personnel coming to an old job often bring with them a fresh perspective.<sup>19</sup> Not having gone through

traditional blue-suit training programs and coming from a culture that differs from the military's could allow contract personnel to make improvements to existing processes that the previous military workforce would not have recognized. This effect stands to become more pronounced in performance-based contracts—those in which the contractor examines new possibilities for mission execution and tailors an innovative process.

## **Disadvantages**

The benefits of outsourcing do not come without the risk of encountering negative effects. Several of these potential disadvantages are described in the following paragraphs.

**Combatant versus Noncombatant.** The distinction between combatant and noncombatant status will become more blurred as the number of contractors on the battlefield increases and as the scope of their duties infringes further into the traditional roles and duties of military personnel. Numerous issues arise as contractors cross into the combatant arena—for example, their status under the Geneva convention and their treatment if captured.

**Security of Contractors.** When a significant number of non-military personnel is located in a high-risk area, as is the case in Iraq today, and when those civilians do not possess the weapons, knowledge, and experience to defend themselves, a shift in mission focus must occur. The Air Force must now reallocate a greater portion of its combatant resources to attend to the security of contractors such as cooks, administrative clerks, and maintainers. Although the service would have used some resources even if military personnel occupied these positions, the allocation would not have been as extensive because blue suiters have all received a basic level of combat-arms training and could contribute to the defense of the facility.

**Control over Military Forces.** According to a GAO study, military leaders prefer to use troops instead of contract personnel because “they believe they can exercise greater control over such personnel.”<sup>20</sup> Steeped in the traditions of discipline and order, military organizations benefit from embedded chains of command that ensure the swift execution of orders. One cannot say the same of contractor personnel, who are bound not by an oath of office or the *Uniform Code of Military Justice* but

by the terms of their contract. This fact has produced and probably will continue to produce less-than-optimum operational results. For example, during contingency operations in Southwest Asia, one deployed squadron commander encountered a chain-of-command problem with contractors assigned to maintain his fleet of KC-10 aircraft. Specifically, they had made inappropriate comments to local females in the base lodging area. Confronted with the allegations, they claimed that the commander had no authority over the matter and said they would move their lodgings off base and into the local community. This action further inflamed military/contractor relations since the squadron commander, still responsible for protecting the contractors, lacked sufficient resources to properly secure the off-base locations as well as the base facilities.<sup>21</sup> Another control-related concern involves the fact that civilian contractor personnel can quit, strike, refuse to deploy, or perform other actions that can degrade mission capability. Certainly, civil-service employees can also quit their jobs, but one does not normally associate the other concerns with the uniformed and civil-service segments of the Air Force.

**Budget Issues.** In many cases, outsourcing has the potential to provide cost savings for the Air Force; however, contracts for services tend to become “must-pay” bills that can ultimately degrade the flexibility of any budget because paying service contracts first can significantly reduce an organization’s discretionary funding. For example, during the author’s tour as commander of an operations group, the annual budget meetings often began by noting that the unit would have to absorb any budget shortfalls caused by must-pay contractor items by making reductions in other areas. As the percentage of budget dollars allocated to contracts continues to increase, leaders will find that options available to absorb shortfalls will focus on a shrinking number of discretionary programs.

**Reduced Flexibility.** Although outsourcing can enhance flexibility, as mentioned above, it can also degrade it under certain conditions.<sup>22</sup> Specifically, the same strong efforts the Air Force makes to precisely define the scope of contractor responsibilities and expectations can actually result in reductions to flexibility when changes to mission requirements occur. For ex-

ample, the aircraft-maintenance contract at Altus AFB defines a five-day workweek for flight operations, but when bad weather and less-than-expected aircraft availability put the wing's flying-training program behind schedule, the unit does not always have sufficient funds available to allow the contracted maintenance organization to support weekend flying.

**Reduced Innovation.** Similarly, outsourcing can stifle military innovation if it removes enough blue-suit interaction from the issue-resolution process and if the standard solution becomes an off-the-shelf commercial remedy. For example, a contractor may solve a base-communications problem by purchasing commercial-grade radios but may not fully understand the limitations of using them under austere deployed conditions. The major concern here involves avoiding development of an Air Force culture that hinders the innovation of military personnel and their involvement in resolving problems.

**Retention.** Sometimes private-industry contractors influence personnel to terminate their military careers in favor of more lucrative employment as civilians. For example, the current demand for experienced people and the enormous salaries paid by contractors offering security services in Iraq have generated new retention problems for the Air Force, Navy, and Army in their special-forces career fields—so much so that the DOD has begun offering “retention incentive packages” to entice special-forces personnel from all services to remain in the military.<sup>23</sup> A recently approved program offers senior enlisted personnel up to \$150,000 if they agree to sign up for six more years of military service.

Although the preceding list is far from complete, it should provide the reader with a better understanding of the most common advantages and disadvantages that outsourcing has to offer. As the Air Force continues to increase the number and scope of outsourced functions, it will probably have to consider new pros and cons while deciding whether or not to outsource.

## **Outsourcing Challenges**

Throughout the Air Force, contractors provide essential services that maximize the effectiveness of Air Force budget dollars

and provide critically needed experience and technical expertise to ensure the success of operations at home and abroad. Although outsourcing can produce the benefits described in the previous section, numerous issues still exist that can reduce the effectiveness of this resource option—some significant enough to put at risk the success of any related military operation.

### **Outsourcing Not Integrated into Air Force Culture**

From a Total Force standpoint, the Air Force has done a good job of melding its federal civilians into the team but less so with its ever-growing contractor workforce. Not only does the Air Force overlook contractor personnel in many of its personnel-management programs and policies, but also the service's military members and federal civilians possess little knowledge or experience regarding outsourcing in general. First, with programs ranging from expanded day care during base exercises to the development of a new National Security Personnel System for federal civilians, the Air Force is prepared to invest a significant amount of time and a number of resources in sustaining and advancing its workforce. Unfortunately, very few of these programs address, let alone allow, contractor participation. Even the core policy document AFPD 36-26, *Total Force Development*, fails to mention anything remotely related to outsourcing or contractors.<sup>24</sup> One also finds this deficiency in the day-to-day operational programs the Air Force uses to manage its workforce. For example, AETC recently developed a wingman concept designed in part to help manage high levels of stress in Airmen returning from deployed operations. Certainly the command deserves praise for its efforts, but the language used to describe the concept confines itself to terms such as *Airmen* and *troops*, thus failing to address similar needs of our outsourcing partners.<sup>25</sup>

Indeed, one finds this cultural deficit throughout the DOD. A look at the current use of contractors in Iraq reveals additional areas in which the military has failed to integrate these human resources into its culture. Surprisingly, the DOD does not even formally track the number of contractor casualties on the battlefield, nor does it notify family members in the event

of an injury or a fatality. One might argue that these responsibilities lie with the private corporations employing the contractors as part of ensuring the cost-effectiveness of the contract. However, this lack of integration creates a seam that, left unattended, could develop into issues which eventually reduce the benefits offered by private industry.

Regarding the second cultural issue, the Air Force's federal civilian and military populations have little awareness of the benefits, challenges, processes, policies, and regulations concerning outsourcing. Research for this paper revealed that very few military personnel not intimately associated with manpower, contracting, or acquisition had even an elementary level of knowledge regarding Air Force outsourcing. A review of the service's officer-level professional military education (PME) indicated that only a nominal level of instruction in outsourcing exists in the current curriculums of Squadron Officer School, Air Command and Staff College, and Air War College.<sup>26</sup> This lack of knowledge, though understandable—perhaps even appropriate—when outsourcing was limited in quantity and scope, is no longer acceptable now that this resource has become such an integral part of the Air Force mission and community.

### **Product Acquisition versus Services Acquisition**

The Air Force community that supports the acquisition of goods (e.g., weapons systems) is far more organized and robust than the disparate segments that support the outsourcing of services.<sup>27</sup> This emphasis on goods rather than services may have proved functional in the past, but the increased number and criticality of missions outsourced today make this structure outdated and, more importantly, inappropriate for the successful management of outsourcing. This fact becomes even more relevant when one considers that in 2001 the budget for acquiring services accounted for 53 percent (\$20.9 billion) of the acquisition funding pool.<sup>28</sup> From a macrolevel perspective, one finds problems with three portions of the Air Force structure used to acquire services: (1) guidance, (2) organization/processes, and (3) personnel.

**Guidance.** Most military-acquisition guidance, including DOD-level publications, deals with goods rather than services. For example, the preponderance of the language used throughout DODD 5000.1, *The Defense Acquisition System*, and DOD Instruction (DODI) 5000.2, *Operation of the Defense Acquisition System*, addresses issues concerning the acquisition of weapons and information systems.<sup>29</sup> Any references to the acquisition of services are vague and often left open to the reader's interpretation. Within the Air Force, the split between goods and services appears even more pronounced. AFPD 63-1, *Capability-Based Acquisition System*, and Air Force Instruction (AFI) 63-101, *Acquisition System*, the Air Force's companion documents to the DODD and DODI mentioned above, speak almost exclusively in terms of products, systems, engineering, and technology.<sup>30</sup> Although the Air Force had published AFPD 38-6, *Outsourcing and Privatization*, its guidance (recently rescinded) established a series of responsibilities that ranged across numerous functional components of the Air Force, whereas policy guidance regarding the acquisition of goods maintains a much tighter focus and a span of responsibility primarily concentrated within the acquisition community.

**Organization/Processes.** In the six decades since its inception, the Air Force has established a well-organized, formal structure that operates to acquire goods necessary for the service to function. This expansive infrastructure resides primarily in a single community that begins at the highest level within the organizational structure of the Office of the Secretary of the Air Force—specifically, Secretary of the Air Force, Acquisition (SAF/AQ). The system includes a short yet highly functional chain of command that extends from high-level executive offices down to personnel who inspect quality control on production lines. Sadly, one does not find this consolidated chain of command reflected in organizations that acquire services; in fact, it is spread across a wide array of functional communities involved in the outsourcing process. To begin with, the Air Force has divided the responsibility for developing its outsourcing policy among SAF/AQ; Assistant Secretary of the Air Force for Manpower, Reserve Affairs, Installations, and Environment (SAF/MI); Assistant Secretary of the Air Force, Financial Management and



Comptroller (SAF/FM); Air Force Office of Small and Disadvantaged Business Utilization (SAF/SB); Deputy Chief of Staff for Plans and Programs (AF/XP); Deputy Chief of Staff for Installations and Logistics (AF/IL); and Deputy Chief of Staff for Personnel (AF/DP). Additionally, it is important to note that the Air Force organization supporting the acquisition of goods has had the benefit of many years of intense external attention (due in part to the high dollar value often associated with the acquisition of weapons systems) that have shaped today's well-designed structure. Unfortunately, outsourcing has only now begun to receive the level of attention that will eventually shape a new organization for promoting the efficient and effective acquisition of services. In the meantime, the outsourcing community's lack of key organizational and process components found in the goods-acquisition community (e.g., program managers and the milestone-approval process) will limit its ability to avoid many of the pitfalls already overcome by goods acquisition.

**Personnel.** The well-organized military and federal civilian career paths that support the acquisition of goods include three key developmental aspects mostly absent in corresponding career fields that support the acquisition of services. First, the goods-acquisition field is sufficiently large and diverse to offer personnel numerous opportunities to broaden their skills and expertise, allowing a noncommissioned officer, an officer, or a civil-service employee to remain within the acquisition career field and continue to progress. This situation facilitates the retention of knowledge and furthers the development of valuable experience that will ultimately promote improved mission accomplishment. One cannot say the same of the contracting career field, in which personnel sometimes find that electing to take a job in their field of expertise would prove unhealthy in terms of career advancement and promotion.<sup>31</sup> Second, although the Air Force makes courses available for those who specialize in the outsourcing of services, their number and depth do not match those designed for personnel in goods acquisition. This discrepancy in educational and developmental opportunities means that personnel who acquire weapons systems likely have more experience in their career field and more knowledge about the



product than do their counterparts involved in the outsourcing of a particular function.

Third, even though the Air Force now spends more to acquire services than goods, it still does not have the manning and experience needed to support today's levels of outsourcing. This shortfall affects other DOD components as well. For example, one Air Force contractor specialist indicated that although the Air Force holds only a small portion of DOD service contracts in Iraq, it provides approximately 80 percent of the specialists responsible for ensuring acceptable contractor performance.<sup>32</sup> The Air Force often delegates that responsibility to individuals as an additional duty.<sup>33</sup> Unfortunately, these individuals may not possess sufficient knowledge of the outsourced functions to determine whether or not the contractor is performing satisfactorily.

### **Contractor Failure to Perform**

On the basis of a sound order from a superior officer, one expects uniformed personnel to place themselves in harm's way. The same does not hold true of contract personnel. This is not to say that contractors are not as brave as troops—one finds numerous examples of contractors performing brilliantly and courageously under the most dangerous of contingencies. The point is that the DOD cannot order them to deploy or to remain at a dangerous location. Unlike military personnel, civilian contractors can always just say no. Although the military has the option of pursuing legal remedies against the contractor's organization, the more pressing problem is the contractor's unperformed mission.<sup>34</sup> Outsourced missions might also remain unfinished because of labor-related work slowdowns/stoppages; substandard contractor performance; or the death, injury, or capture of contractors. As outsourcing increases, one could reasonably expect that risks to contractors will also increase—a fact confirmed by the 232 private-contractor deaths to date in Iraq versus only seven such deaths during the first Gulf War.<sup>35</sup> In short, the greater the involvement of contractors in the Air Force, the greater the likelihood that an outsourced function may not be executed as planned.

## **Lack of Outsourcing Oversight by the Department of Defense**

The GAO has faulted the DOD and its components on several occasions for insufficient oversight of outsourcing operations.<sup>36</sup> Issues include insufficient visibility of contractors and the lack of a unified source of contractor policy and procedures. The GAO report, released in 2003, stated that “neither DoD nor the services have a single point that collects information on contracts to support deployed forces.”<sup>37</sup> This problem is not restricted to the Air Force, a fact emphasized in a recent Joint Staff document: “DoD policy on Contractors on the Battlefield is a longstanding deficiency.” It goes on to describe an overall lack of centralized and integrated policy guidance, stating that one must refer to over 44 distinct sources to review all aspects of the DOD’s contractor-specific policy.<sup>38</sup>

## **Improper Integration of Contractors into War Plans**

The DOD has neither incorporated essential contractor services into its war plans nor prepared alternate plans to ensure continuation of those services in the event the contractor cannot perform them. In 1995 and 2003, GAO reports on the DOD’s policies and procedures pertaining to the use of civilians and contractors acknowledged the savings and benefits generated by converting military positions. However, they also criticized the DOD for failing to properly identify “those contractors that provide mission essential services and where appropriate [and for failing to] develop backup plans to ensure that essential contractor-provided services will continue if the contractor for any reason becomes unavailable.”<sup>39</sup> Even though the DOD published guidance in November 1990 that prescribed specific procedures to mitigate the issue of continuing essential contractor services, the GAO found that all of the services either failed to complete the required actions or developed inadequate backup plans.<sup>40</sup>

Since publication of the DOD guidance and GAO reports, the Air Force has made little progress in resolving these deficiencies. Many units have still not developed mandatory backup plans, and those that have done so generally based their plans on the

faulty assumption that remaining blue-suit personnel would and could fill in to conduct the absent contractor's mission.<sup>41</sup> Such plans are rarely accompanied by research necessary to confirm that (1) the service has sufficient military personnel available after deployments, (2) the remaining military personnel have enough training and experience to perform the mission, and (3) the remaining personnel have sufficient time to perform both the new mission and their own primary duties.

Although numerous other outsourcing and contractor-related issues and challenges exist, space limitations do not allow examination of them. Air Force leaders and decision makers must closely consider each situation and determine which issues require resolution. The DOD and Air Force should begin taking aggressive steps to address these matters—especially in light of the military's reliance on outsourcing as an integral part of the Total Force.

### **The Department of Defense's Effort to Improve**

Even though current departmental policy and procedures are producing less-than-optimum results, the recent actions of a DOD-sponsored work group, established in response to GAO criticisms and to address a tasking in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, provide grounds for some optimism. The act required the secretary of defense to issue guidance no later than April 2005 on how the DOD plans to manage contractor personnel assigned to support deployed forces; it further directs the secretaries of the military departments to create service-specific procedures to ensure implementation of that guidance.<sup>42</sup> The joint working group, which included representatives from all services, utilized their cross-functional expertise to develop two new products (currently in draft): (1) DODD 4XXX.aa, "Management of Contractor Personnel Supporting Contingency Operations," and (2) DODI 4xxx.bb, "Procedures for the Management of Contractor Personnel Supporting Contingency Operations."<sup>43</sup> The group had as its overarching goal the consolidation and standardization of widely varying guidance found throughout the DOD. It planned to delete

inaccurate/outdated policy, update existing policy as required, and develop new policy if needed. Although the drafts of both publications are currently tied up in the internal DOD coordination process, a review of the working documents identifies significant policy points.

The following points summarize cases in which the new draft publications modify or clarify existing policy:<sup>44</sup>

1. Noncombatant Status. Existing policy defers to international law by allowing contractors to accompany military forces, but it fails to make military commanders responsible for not placing them in situations that jeopardize their status as noncombatants. The modified policy requires case-by-case legal reviews to ensure that each contractor-performed duty or position complies with “relevant laws and international agreements” and that noncombatant status remains intact.<sup>45</sup>
2. Force Protection. Currently, Joint Publication (JP) 4-0, *Doctrine for Logistic Support of Joint Operations*, states that force protection for contract personnel is the responsibility of the contractor, but according to the recently published Army Field Manual (FM) 3-100.21, *Contractors on the Battlefield*, “Protecting contractors and their employees on the battlefield is the commander’s responsibility.”<sup>46</sup> The draft DODI resolves this confusion by establishing a baseline policy directing that “Geographic Combatant Commanders shall develop a security plan for protection of contingency contractor personnel through military means unless valid contract terms, approved by the geographic Combatant Commander, place that responsibility with another party.”<sup>47</sup>

In addition to modifying existing policy, the working group identified many gaps in current policy. The following points summarize several major areas of new policy planned for inclusion in the publications:<sup>48</sup>

1. Glossary. The draft publications include definitions of key terms that will help personnel from all service branches clearly understand the regulations.

2. Planning. The new policy requires that planners consider contractors when they develop operation plans and operation orders.
3. Weapons. The draft publications allow contractor personnel to carry personal arms or ammunition and would allow commanders to issue government weapons and ammunition following proper training, subject to specific rules and conditions.<sup>49</sup>
4. Uniforms. The guidance indicates that contractors should not normally wear uniforms unless specifically authorized to do so by the combatant commander under certain conditions. In these cases, distinctive markings or uniform components (e.g., armbands, patches, etc.) must distinguish uniformed contractors from combatants.
5. Medical. The new draft policy authorizes resuscitative medical care to all contractors and follow-on evacuation but does not authorize primary medical or dental care. The policy also covers any medical preparation required prior to deployment of contractors into the theater.<sup>50</sup>
6. Visibility. The draft DODI establishes the geographic combatant commander as “responsible for overall contractor visibility.”<sup>51</sup> More specifically, it mandates development and maintenance of a joint, Web-based contractor database that, when populated, will provide visibility over contractors deploying with military forces. Although creation of the database program remains a daunting challenge, the never-ending task to input and update contract information and contractor-personnel data will require significant resources to ensure both the accuracy and usefulness of the product. Currently, the Joint Staff anticipates that responsibility for entry of database information will be delegated to private corporations that hold contracts with the DOD.<sup>52</sup>

The joint working group that penned these two draft documents deserves praise for the progress it has made. It is impor-

tant to note that the military could resolve several additional contractor issues by addressing them in the draft documents or, in some cases, by modifying the documents' language to provide expanded guidance and clearer descriptions. The remainder of this section examines various shortcomings identified in the draft DODD and DODI.

### **Training of Contractors**

As currently written, the draft DODI lacks the mechanism or process for assuring the proper training of contractors before they deploy and assume potentially critical roles. Whereas almost one-third of the 34-page DODI discusses medical issues, only a few paragraphs address the training and experience that contractor personnel must possess so they can fulfill their mission and survive in the deployed environment. Inadequate training and experience not only can jeopardize mission success, but also can generate unexpected consequences. For example, in his formal report on alleged abuses of Iraqi prisoners at Abu Ghraib, Lt Gen Anthony Jones states that "emerging results from a DA Inspector General (DAIG) Investigation indicate that approximately 35% of the contract interrogators lacked formal military training as interrogators."<sup>53</sup> Although the DOD continues to investigate the Abu Ghraib incident, lack of training may have contributed to the problem. Unfortunately, the resulting negative world opinion significantly damaged the war effort, and the incident continues to affect public opinion.

### **Scope of the Documents**

In light of the direction provided in the National Defense Authorization Act and the military's dependence upon deployed contractor support during Iraqi Freedom and Enduring Freedom, one should not be surprised to find that the draft DODD and DODI focus primarily on deployed contractors. Thus, the DOD is missing a superb opportunity to develop policy and procedures that address contractor operations in both deployed and home-based environments. Of primary concern is the fact that many contractors currently performing contingency functions in Iraq are there solely on the basis of contracts written during

peacetime, when they performed their primary duties at a state-side military facility. By constraining the scope to apply only to contingency operations, the DOD has overlooked a much larger share of contract dollars and personnel than it has addressed. Furthermore, the fact that the two draft documents apply only to contracts let by the DOD ignores additional issues that a more comprehensive directive would have embraced. For example, the contract to provide private-industry personnel to conduct prisoner interrogations at Abu Ghraib prison was let between CACI International and the Department of the Interior.<sup>54</sup> Thus, the policy guidance and procedures in the draft DODD and DODI would not have applied.

### **Implementation Guidance**

Although wording in the draft documents indicates that they become effective immediately upon release, the publications make no mention of an implementation strategy or timeline. Under peacetime conditions, this shortcoming would probably not prove difficult to overcome. Since our forces currently find themselves in the middle of significant deployed contingency operations, however, one wonders how and when the military should apply these directives—especially in the case of existing contracts and the large number of affected contract personnel already deployed under contingency conditions.

### **Contractor Database**

The draft DODD establishes the requirement that DOD components will “maintain by-name accountability of CDF [contractors deploying with the force] personnel and contract capability information in a joint database.”<sup>55</sup> If properly designed and managed, this outstanding concept could provide consolidated, detailed information regarding contractors not previously available through a single source. Since no such database yet exists, much work lies ahead. The DOD needs to address several areas to ensure that the final product is as useful as its creator envisioned.

First, since the draft documents do not specifically identify requirements of the database, its value will be directly proportional to the level of effort and insight of the team that develops the in-



formation categories for tracking. If the staff of the Office of the Undersecretary of Defense for Personnel and Readiness—the organization responsible for developing the database—selects the wrong categories or fails to develop a program that allows easy manipulation of the data fields, the entire concept could become just another burdensome tracking requirement that draws from, instead of preserves, valuable time and resources. Second, to be useful to commanders and decision makers, the database must contain some level of proprietary information (e.g., type of contractor services available, information about individual contractor personnel, etc.); thus, the DOD will have to assure contractors regarding the safety of this information. This effort could become even more challenging if the DOD elects to assign a contractor the job of overseeing database operations and maintaining the accuracy of the data—a task that probably exceeds the available resources of the Office of the Undersecretary of Defense for Personnel and Readiness.

### **Guidance on Contractor Arming**

As currently written, the draft documents contain two contractor-arming issues that should be resolved before publication. First, the definition of the term *security* lacks specificity: “arming contingency contractor personnel for other than self defense or security during contingency operations . . . is not permitted.”<sup>56</sup> Left open to interpretation, *security* can carry a number of meanings, from simply protecting supplies against theft to the use of contractor-manned, crew-served weapons to repel enemy attacks on an installation, as has already occurred in Iraq.<sup>57</sup> Because several serious matters (e.g., legal-combatant status, rules of engagement, risk of friendly-fire incidents, etc.) accompany the latter meaning, clarification of the term requires immediate attention, especially if the documents’ authors did not intend its meaning to cover such a broad spectrum.

The second issue pertains to the guidance allowing combatant commanders to arm contingency contractor personnel: “geographic Combatant Commanders (or a designee no lower than general or flag officer) may authorize issuance of government weapons and ammunition (or approve other appropriate weapons and ammunition) to contingency contractor person-



nel for individual self defense.”<sup>58</sup> Unfortunately, the arming-approval process does not appear to work as well in practice as it does on paper. During interviews with several contingency contractors who support US military operations in Iraq, Peter Singer, Brookings Institution Senior Fellow, discovered that some of them carried their own weapons because the formal approval process failed to authorize the issuance of weapons prior to the contractors’ arrival in-theater.<sup>59</sup>

### **Discipline and Management of Contractor Personnel**

Ominously acknowledging that “commanders have limited authority to take disciplinary action against contingency contractor personnel,” the draft DODI provides no remedy to this undesirable situation.<sup>60</sup> As outsourcing continues to grow, such inability to discipline contractors could adversely affect the good order and discipline of all personnel under that commander’s oversight, whether military, civil service, or contractor. Once again, the alleged mistreatment of prisoners at Abu Ghraib by contractors helps illustrate this issue. Although both military and contractor personnel were implicated in the event, only the former have been prosecuted, with several enlisted members subject to court-martial.<sup>61</sup> If the Air Force truly intends to integrate all portions of the Total Force, it must eliminate even the appearance of a double standard for disciplinary actions.

The joint effort to develop a DODD and DODI regarding the management of contractor personnel during contingency operations indicates the Defense Department’s willingness to take a step back and think in a comprehensive, strategic manner about contractors on and near the battlefield. These draft publications represent an excellent beginning and will eventually help address many current issues that affect the use of contractors. But the working group’s efforts should not terminate here; rather, it must continue to modify these documents so that they provide the policy guidance and procedures necessary to address the unresolved issues mentioned previously. The critical importance of these follow-on actions becomes apparent when one considers that the DOD and Joint Staff expect that the published versions of the DODD and DODI will

serve as the foundation on which the services will develop their own contractor policies and doctrine.

The research conducted for this paper indicates that the Air Force has become more aware of the numerous issues generated by the significant increases in outsourced missions. The service should now turn this emerging awareness into recognition that it must modify its culture, organization, policies, and doctrine to ensure that outsourcing remains a viable resource for mission execution. The next chapter offers specific recommendations designed to help the Air Force begin this process of change.

### Notes

1. The Air Force is using contracted security guards to temporarily man additive force-protection security measures at 37 of its 157 installations both inside and outside the continental United States. These guards augment identification checks at the gates, man vehicle-inspection areas, and work in visitor-control centers. McNeal, e-mail.

2. Approximately two-thirds of the pilot candidates in the 1980s would have completed flight screening under the supervision of a contractor; however, about one-third received their training from military personnel at the Air Force Academy. In 1980 the 715 pilot candidates who attended flight screening at the academy had all of their flight training under the supervision of military personnel. In 1980 a pilot's standard path was as follows: (1) attend some form of flight screening (usually in a Cessna 150 or similar aircraft) to ensure sufficient basic flying skills, thereby warranting further consideration as an Air Force pilot; (2) train in the T-37 (a small, twin-engine military jet); (3) train in the T-38 (a supersonic, twin-engine military jet); and (4) train in the assigned major weapons system (in this case, the C-5 transport aircraft). Today's pilot candidates encounter a slightly different program called Specialized Undergraduate Pilot Training, in which they flow through different tracks, depending upon the type of aircraft they eventually fly. For example, a candidate selected to fly fighter aircraft will train in the T-37 followed by the high-performance T-38 aircraft, whereas a pilot selected to fly a transport aircraft (such as the C-17) will normally follow the T-37 with training in the T-1 (a multiseat, twin-engine, business-type aircraft).

3. General Accounting Office (GAO), *Federal Procurement*, 42.

4. Arroyo, e-mail.

5. Smith, e-mail.

6. Singer, interview, 4 April 2005.

7. GAO, *Military Operations*, 1.

8. Billiard, e-mail.

9. Singer, "Outsourcing War," 122.

10. Government Accountability Office, *Contract Management*, 2.

11. Singer, "Outsourcing War," 122.

12. Ibid., 123.
13. AFPD 38-6, *Outsourcing and Privatization*, 1.
14. GAO, *DoD Force Mix Issue*, 4.
15. Briefing slides, slide 53.
16. GAO, *DoD Force Mix Issue*, 24.
17. AFPD 38-6, *Outsourcing and Privatization*, 1.
18. Arrington, interview.
19. Unis, interview, 23 February 2005.
20. GAO, *DoD Force Mix Issue*, 4.
21. Frost, interview.
22. Unis, interview, 23 February 2005.
23. US Special Operations Command News Release no. 05-JAN-01, "DoD Approves Retention Initiatives," 1.
24. Although this policy directive does address DOD civilian employees, it makes no mention of contractors or private-industry support to the Air Force. AFPD 36-26, *Total Force Development*.
25. Cook, "Every Day," 1.
26. Information gathered from telephone discussions with instructors at Squadron Officer School, Air Command and Staff College, and Air War College at Maxwell AFB, AL, indicates that only the Air Command and Staff College program has dedicated a portion of its syllabus to the issue—and even that is limited to a single 45-minute segment of the Practice of Command course that discusses contractor relations for commanders.
27. Billiard, interview, 17 March 2005.
28. The comparison pertains to Air Force contracts valued at over \$25,000. GAO, *Federal Procurement*, 42.
29. DODD 5000.1, *Defense Acquisition System*; and DODI 5000.2, *Operation of the Defense Acquisition System*.
30. AFPD 63-1, *Capability-Based Acquisition System*; and AFI 63-101, *Acquisition System*, 11 May 1994.
31. Billiard, interview, 4 March 2005.
32. Unis, interview, 23 February 2005.
33. Government Accountability Office, *Contract Management*, 12.
34. GAO, *Military Operations*, 16–17.
35. Associated Press, "Inspector General Quarterly Report," 1.
36. GAO, *Military Operations*, 1; and Government Accountability Office, *Contract Management*, 2.
37. GAO, *Military Operations*, 1.
38. Broadwell, Joint Staff Summary Sheet, 22 December 2004.
39. GAO, *Military Operations*, "Highlights."
40. DODI 3020.37, *Continuation*; and GAO, *Military Operations*, 15–17.
41. Unis, interview, 23 February 2005.
42. US Congress, *Ronald W. Reagan National Defense Authorization Act*, sec. 1205, par. (a).
43. DODD 4XXX.aa, "Management," 1–7; and DODI 4XXX.bb, "Procedures," 1–38.

44. Broadwell, Joint Staff Summary Sheet, n.d.
45. DODI 4XXX.bb, "Procedures," 6.
46. JP 4-0, *Doctrine for Logistic Support*, V-7; and Army FM 3-100.21, *Contractors on the Battlefield*, 6-2.
47. Broadwell, Joint Staff Summary Sheet, n.d.
48. Ibid.
49. Ibid.
50. DODI 4XXX.bb, "Procedures," 14, 22.
51. Ibid., 10.
52. Broadwell, interview.
53. Jones, *AR 15-6 Investigation*, 50.
54. Devaney to assistant secretary for policy, management, and budget, memorandum.
55. DODD 4XXX.aa, "Management," 4.
56. Ibid.
57. Singer, interview, 4 April 2005.
58. DODI 4XXX.bb, "Procedures," 18.
59. Singer, interview, 4 April 2005.
60. DODI 4XXX.bb, "Procedures," 17.
61. US Army Executive Summary, *Investigation of Intelligence Activities*, 4; Singer, interview, 4 April 2005; and Weir, e-mail.

## Chapter 4

### **A Strategy for Success**

*Although the Department of Defense (DOD) considers contractors to be part of the total force, neither DOD nor the services know the totality of contractor support being provided to deployed forces.*

—GAO, *Military Operations*, GAO-03-695, June 2003

The outsourcing of functions and organizations provides the Air Force with a powerful tool to execute its mission at home and abroad in a most efficient and effective manner. Through the use of properly designed contracts, the service can access human resources that might otherwise be unavailable or too expensive to maintain in the uniformed portion of the Total Force. Outsourcing does not come without risks and potential negative consequences, as described earlier in this study; however, these problems do not appear insurmountable. This chapter provides Air Force decision makers involved with any portion of outsourcing (decision to outsource, conversion process, and sustainment actions) with a set of recommendations that, if implemented, should help them maximize the effectiveness of any outsourced operation and avoid the numerous pitfalls associated with the process.

### **Decision to Outsource: Recommendations**

If left unaddressed in the decision phase, some issues can result in significant problems during home-base or deployed operations. The following recommendations focus on matters that need attention early on.

### **Evaluate Retention of Blue-Suit Expertise**

Decision makers not only must consider the pros and cons of outsourcing a particular function, but also must decide whether or not to retain some level of military experience in

that particular area. First, in some cases, only blue suiters might possess the requisite expertise. For example, the mandate to use military personnel as commanders may require the retention of a cadre of experienced officers, even though the remainder of the career field remains subject to outsourcing. Additionally, unique operating environments may call for blue-suit mission execution, such as deployment conditions that carry a high risk of encountering combat action. Second, in some cases one finds value in having immediate access to a small group of trained, experienced, and deployment-ready personnel available to take over the designated function should the contractor assigned to the mission fail to perform. Although the cost of maintaining some military experience could prove prohibitive, it is important that the option undergo evaluation early in the outsourcing process since it may not be available later on.

### **Consider Both the Deployed and Peacetime Mission**

Decision makers must examine the implications of any deployed mission that contract personnel might perform. With the Air Force's ongoing search to make more functions and personnel part of the air and space expeditionary force, even positions not coded as deployment eligible may become so in the future. Thus, a formal review of actual and potential deployment implications must be completed prior to making an outsourcing decision. The DOD could help address this issue by expanding the scope of the draft DODD and DODI, mentioned in the previous chapter, to cover contractor personnel in peacetime as well as contingencies. Furthermore, including policy guidance could ensure consideration of any potential deployment duties associated with contractor personnel who perform their primary duties in the continental United States.

### **Involve All Affected Organizations**

To avoid pitfalls, the Air Force's decision-making process should conduct a thorough examination of the conversion's impact on other organizations. This review must include ramifica-

tions for contingency as well as peacetime operations. For example, the obvious effects of outsourcing a base's civil engineering (CE) squadron might seem fairly benign. However, decision makers must consider that the conversion would result in the loss of numerous CE-manned resource augmentation duty program (READY) positions that augment the base's security forces squadron during elevated threat levels or periods of high deployment requirements for those forces. Although the consequences of outsourcing a unit may initially appear minimal, decision makers should conduct additional research to investigate second- and third-level effects on other units.

### **Conversion Process: Recommendations**

The Air Force must deal with numerous issues to ensure that it actually receives the service it wants from outsourcing. By focusing on these areas before signing contracts and changing forces and manpower charts, both the Air Force and the contractor can develop a clearer understanding of what is expected in performing the outsourced mission.

#### **Improve and Standardize Contract Language**

The Air Force and the DOD should pay attention to the language of the contract—the document that defines the roles, responsibilities, rules, and expectations between the DOD (or one of its components) and the contractor—and should use standardized contract language when applicable. Unfortunately, such is not the case today. The GAO recently noted that DOD contract language pertaining to contractor deployment requirements is “varying and sometimes inconsistent” and that in some cases, “contracts do not contain any language related to the potential requirement to deploy.”<sup>1</sup> The draft DODI seeks to resolve this issue by directing the Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics to develop and implement a set of standardized clauses for use in DOD contracts that might involve contingency deployments.<sup>2</sup> The Air Force should aggressively support this effort and become involved in the shaping of this lan-

guage. Further, it should insist that the standardized language address not only basic deployment requirements, but also more specific deployment considerations, including training, equipment, transportation, command and control, security, arming, and other support issues. After all, no one wants surprises to occur after contractors arrive at their deployed locations. Additionally, the Air Force acquisition community must develop a process that (1) reviews all current contracts to assure that the language meets the new standardized requirements (and modifies it if necessary), and (2) formally reviews all contracts (current and new) periodically to determine if deployment requirements have changed—an important procedure because as outsourcing continues to alter the face of the Air Force, deployment requirements of any outsourced positions will also tend to change.

### **Embed Training and Screening Requirements Prior to Deployment**

The Air Force must clearly identify deployment requirements for outsourced positions and establish formal training programs to arm individuals with the skills necessary to operate and survive in the deployed environment. Although the service spends a great amount of time and a number of resources preparing the blue-suit portions of its air and space expeditionary force for deployment, the same cannot be said of its civilian workforce. During the first Gulf War, improper training and preparation of personnel resulted in numerous problems, including the fact that many civilians deployed without either the required chemical protective gear or the training for its use.<sup>3</sup> For each deployable, outsourced position, the Air Force should develop formal documentation that includes (as a minimum) (1) a description of the position's deployed responsibilities, (2) an inventory of personal equipment needed in-theater, and (3) a list of training and screening required prior to deployment (e.g., use of chemical protective equipment, weapons training if applicable, medical screening, immunizations, etc.). Although this process will have limited effectiveness on short-notice contracts established after a contingency has begun, it will prove more valuable for existing peacetime contracts that maintain deployment-eligible positions.



### **Beware of Dual Tasking**

Contract language must clearly define the requirement to identify and closely track the number of contract personnel who maintain military mobilization obligations (National Guard or Reserve) in order to limit problems should these personnel be called to duty. The Civil Reserve Air Fleet, for example, had to make sure that pilots designated to fly their airline's commercial aircraft on DOD missions had no obligation to mobilize for military deployments as a part of National Guard or Reserve commitments. Certainly, personnel performing essential contract services for the military should not be prohibited from joining the Guard or Reserve, but the DOD must identify them and determine the impact of their loss due to activation so that the contract agency maintains sufficient personnel to conduct its mission.

### **Develop a Workable Backup Plan**

Since any contractor might fail or be unable to complete the assigned mission, the Air Force must develop a checks-and-balances system that ensures the efficacy of backup plans for essential contractor services. As the number and scope of contract personnel who support the service's mission expands, the standard blue-suit backup plan will become even less feasible than it is today. The Air Force can resolve this problem by adding a requirement to operational readiness inspections that mandates detailed reviews of outsourced functions and the feasibility of corresponding backup plans. Additionally, it should add requirements to exercise these plans during unit deployment and contingency operations. Executing them under simulated yet demanding conditions will reveal any shortcomings or flaws.

## **Sustainment Actions: Recommendations**

Most of the benefits of outsourcing occur after completing the decision to outsource and the conversion process. The sustainment-actions phase entails the greatest number of issues and some of the most significant challenges.

### **Modify the Air Force's Structure to Better Address Outsourcing**

The Air Force chief of staff should immediately establish a working group to review and modify the policy, procedures, and organization currently used to execute the various phases of outsourcing. Its charter should allow the group to closely examine the Air Force system currently in place for the acquisition of goods as a benchmark to determine actions that will unify and improve outsourcing operations. Efforts should focus on (1) consolidating the role of policy development and functional oversight into a single functional area—placing responsibility and accountability clearly with a single parent organization, (2) developing new doctrine, policy, and procedures that not only take into account the significant increase in outsourcing, but also address key issues concerning the greater scope of outsourced missions, and (3) reviewing personnel implications of the Air Force's dependence on outsourcing—this effort should address the need for increased manning, educational opportunities, and prospects for specialists to remain and flourish within the outsourcing career field. The Air Force has already begun to make some progress in this area by recently establishing the Program Office for Combat and Mission Support (major service contracts); however, much work remains.<sup>4</sup> These actions to readdress the service's outsourcing structure are probably the most important ones noted in this study because the Air Force has experienced difficulty in addressing a number of issues (both old and new) that have arisen because of the growth of outsourcing. Now is the time for the service to invest its manpower, finances, and intellect at the level required to maximize the value of this critical component of the Total Force.

### **Integrate Contractors into the Air Force Culture**

Changing the culture of the Air Force to embrace outsourcing will not prove easy and will not occur overnight. It is important, however, to initiate both specific and general actions throughout the service in order to begin moving in the right direction. First, AETC should expand its PME programs to address outsourcing

concepts and issues. Because of outsourcing's growing importance to the Air Force, fundamental knowledge about it is just as critical to the officer and enlisted force as is knowledge about the federal civilians and military reservists who support Air Force operations around the globe. Thus, Air Force leadership should task AETC to develop and integrate training into appropriate segments of officer and enlisted PME, both resident and nonresident, as well as precommand training programs. By properly tailoring the detail and focus for each segment to the seniority of the students, the command will equip its schools' graduates with the knowledge they need to successfully work with or lead contractors at home and in the field. Second, senior leadership throughout the Air Force should mandate the inclusion of outsourcing and the use of contractors not only in doctrine, policy, and everyday programs that address the service's human resources, but also in newly developed or updated programs, directives, and publications. Taking these steps today will create momentum that will eventually persuade the Air Force culture to consider outsourcing and private contractors an integral part of the team.

### **Address Contractor Misbehavior**

As previously stated, commanders have limited authority to take disciplinary action against contractor personnel who misbehave. The DOD must take two actions—one short term and the other long term—to address this issue. First, it should immediately amend the draft DODD and DODI to include mandatory procedures for reporting behavioral problems with contractors. The guidance should set appropriate thresholds and provide proper routing instructions to ensure visibility at the geographic combatant commander, service, and DOD levels. By allowing senior leadership to observe and track statistics regarding behavior, the military will better position itself to observe the development of trends and take appropriate action as well as become more aware of problems than it was in the past. In the long term, the DOD must develop a set of tools that will allow its components to manage contractor behavior in the same way the military uses the *Uniform Code of Military*

*Justice* and the Office of Personnel Management uses the *Code of Federal Regulations* to govern their personnel.<sup>5</sup>

### **Periodically Reevaluate the Outsourcing Decision**

The Air Force must modify its culture to allow the review of previously outsourced functions and to provide a realistic expectation that an outsourced function could return to military execution if the review so recommended. Although the Air Force does review all contracts regularly, the ability to “reconvert” (for the lack of a better term) the function remains problematic since, more than likely, the manpower positions are no longer available. No outsourcing expert consulted as part of the research for this paper could provide an example of any outsourced position returning to military execution. Evidently, the problem is more of a cultural than a process issue in the Air Force (i.e., “once outsourced, always outsourced”). The service must provide the education, training, and willingness to reallocate precious manpower positions to reverse an outsourcing decision if conditions so warrant.

### **Address the Must-Pay Issue**

As the portion of the Air Force’s budget allocated to outsourcing continues to grow, so does the need to develop a process that will balance the must-pay nature of contracts against the dwindling size and increasing vulnerability of traditional operational and support accounts. This action could begin with a combined effort from the Air Force’s budget and contracting communities to educate commanders and decision makers regarding an option called incremental funding, which could provide some relief by allowing the service to fund contracts for up to a maximum of one year, thus helping smooth out obligations. Because of a lack of familiarity with it and because of complexities involved with its execution, however, the option has not seen much use.<sup>6</sup> Since the other two options available (contract descoping or cancellation) are rather extreme, the budgetary and acquisition functional communities must work together to provide a simple yet effective alternative to resolve the must-pay issue.

### **Develop a More Responsive Contractor-Arming Process**

Although this effort would most likely not see completion prior to publication of the new DODD and DODI, procedures for an improved and more responsive arming process must be developed and included in future changes to these publications. The DOD should also consider including a preapproval process that, based on the anticipated deployment duties of an outsourced position, would provide either a standing authorization or at least invoke an abbreviated process for rapidly arming contractors who need it most. If the Air Force plans to continue deploying contractor personnel into high-risk environments, it should begin to work with the DOD and combatant commanders to design such a process.

### **Develop a Contractor Deployment Guide Similar to the Army's**

A tightly written 20-page document, Department of the Army Pamphlet 715-16, *Contractor Deployment Guide*, “inform[s] contractor employees, contracting officers and Field Commanders of the current policies and procedures that may affect the deployment of contractor employees.”<sup>7</sup> Although the pamphlet will require updating to reflect policies and procedures established when the draft DODD and DODI are published, it does a good job of consolidating policy, guidelines, and helpful references into one central source readily available to contractors, contract employees, and Army personnel. The Air Force should follow the Army’s example and publish its own guide, preferably one that includes predeployment checklists to assist contractor personnel. In the interest of including the most current information available, however, it would do well to delay publication until the new DODD and DODI appear.

### **Monitor Contracts Effectively**

Given the growth of outsourcing, the risks of substandard performance or failure now carry greater consequences than ever envisioned by those who developed the current contract-monitoring procedures and structure. The Air Force’s acquisition

and manpower communities must reevaluate the monitoring of contracts for services and take steps to assure (1) the authorization of sufficient contract specialists relative to the number and size of contracts requiring evaluation, (2) the training of these specialists in skills required to monitor contractor performance, and (3) the allowance of ample time during their duty schedules to permit specialists to conduct thorough monitoring of contracts.

### **Ensure the Reliability and Usefulness of the Contractor Database**

The proposed contractor database must contain reliable information that commanders can use to improve operations during both war and peace. The Air Force should immediately convene a working group to determine the capabilities required and desired in such a database and then work with the DOD to include them in the original program; otherwise, cost and logistical limitations could prevent their inclusion at a later date. For example, one Air Force contracting officer stressed the importance of a sophisticated search-and-sort mechanism and sufficiently detailed data that would enable deployed commanders to search for and locate a unique contractor capability already in-theater.<sup>8</sup>

The DOD and Air Force can be proud of the significant contributions and cost savings that the outsourcing of military roles and functions has generated. However, as anyone who has served in the military knows, there is always room for improvement by examining options to do the job smarter, faster, and perhaps cheaper. The procedural, policy, and strategy suggestions outlined above, although by no means complete, provide the Air Force an excellent launching point for addressing some of today's most pressing military issues.

One should consider two factors regarding the implementation of these suggestions. First, even though the draft DODD and DODI will likely be published before the Air Force can realistically address most of these issues, that fact should not deter its leadership from pursuing modification of these two documents and should actually encourage development of internal Air Force guidance that complements the new publications. Second, the service stands the greatest opportunity to

make improvements by successfully addressing the suggestions to modify both the Air Force culture and the outsourcing acquisition structure. By raising outsourcing to the level of importance it deserves, the Air Force will enjoy the benefits of a wholly integrated workforce. Unfortunately, changes at these levels will also tend to be the most difficult to complete. Therefore, the service requires sustained focus and support from its senior leadership to make these changes a reality.

## **Conclusion**

*Government should be market-based—we should not be afraid of competition, innovation, and choice. I will open government to the discipline of competition.*

—Gov. George W. Bush

History has proven that the proper conversion of a military position to execution by civil-service or private-industry personnel can allow the Air Force to better focus its valuable blue-suit resources on core mission requirements. Additionally, these conversions can improve mission flexibility and save taxpayers significant funds. For these and many other reasons, a number of experts predict that the Air Force's use of outsourcing will continue to increase in both quantity and scope.

Although outsourcing does offer numerous benefits, one must never lose sight of the possible pitfalls that accompany the process and the fact that these shortcomings could become more prominent as outsourcing continues to make incursions into traditional blue-suit operations. The time is now for the Air Force to fully recognize the enlarged role that outsourcing plays in the execution of its mission—during both peace and war, at home and abroad. The service must also acknowledge that its current structure, culture, doctrine, and policies have not yet evolved to the point where they can successfully manage and utilize this tremendous resource.

By taking aggressive, timely steps to resolve the numerous issues that have accompanied the expansion of outsourcing, the Air Force can best position itself for continued mission success. The three sets of recommendations offered in this chapter afford

the Air Force an excellent opportunity to begin addressing these daunting issues. Senior leaders must endorse development of the culture, organization, and guidance that will permit all members of the Air Force's Total Force team to understand both the benefits and consequences of outsourcing.

**Notes**

1. GAO, *Military Operations*, 36.
2. DODI 4XXX.bb, "Procedures," 3.
3. GAO, *DoD Force Mix Issue*, 5.
4. Unis, e-mail.
5. White, interview.
6. Unis, e-mail.
7. Army Pamphlet 715-16, *Contractor Deployment Guide*, preface.
8. Unis, interview, 23 February 2005.



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